The WELL

Whole Earth Lectronic Link
27 Gate 5 Road, Sausalito, CA 94965-9976
415/332-6106 (modem); 415/332-4335 (voice)

April 8, 1991

To: WELL Board of Directors
From: Cliff Figallo
Subject: Updates on the WELL

Included in this package are a letter concerning employee benefits, an ammended budget for 1991,a chart of daily port activity for the first quarter of 1991 and a copy of the Texlink business plan.

The letter is self-explanatory. The budget figures reflect the addition of another part time employee to help with customer support, who and the chart demonstrates our continued strong growth in overall activity. March financials are not yet complete, but January and February showed a cumulative profit before taxes of around $40,000.

I attended two meetings recently sponsored by the Electronic Frontier Foundation and Computer Professionals for Social Responsibility. Both meetings concerned civil liberty and privacy issues in the electronic communications world. The first was a small (about 60 participants and observers) roundtable meeting held in Washington, D.C., the second was a considerably larger (about 400+ attendees) three-day event here in San Francisco. In both cases, the WELL was heavily involved in the foundation discussions, planning and post-meeting debriefings. It was quite gratifying to hear the WELL mentioned so often, by so many people and in such glowing terms. Especially so considering our relatively tiny size compared with systems like CompuServe and Prodigy. A lot of the heavy hitters in the telecomm/legal arena now call the WELL home.

We have submitted our firststage application for a July connection to the Internet. We checked out alternatives and decided to connect through BARRnet because it is cheaper. Prices on routers dropped by 50% between our initial inquiries and the present, and our effective costs for our first year on the Internet, including hardware setup costs, will be under $20,000, with about $15,000 due July 15. Increasing commercial presence on the Net may further lower pricing and restrictions of "appropriate usage".

At the Computers, Freedom and Privacy conference in late March, Mitch Kapor volunteered to contract Mark Graham to write the porting programs necessary for the WELL to share linked conferences with Mitch's and other systems. The impacts of this change and the Internet connection will certainly add other dimensions to the WELL's character in the coming year, none of which are reflected in the current budget.

If you take the time to look through the enclosed business plan for Texlink, the startup conferencing system in Austin, Texas, you will see

that they have done their homework. I believe that they are capable, with the WELL's help, of growing a successful conferencing system. I don't know how to go about helping them find initial investor/owners. I think it would be helpful to the WELL to be involved in this enterprise not only to give another point of access to WELL discussion, but to show the validity of our paradigm. I've planned a little time on our agenda to discuss the possibilities.

Finally, after many iterations of online debate and misunderstanding, I would like the Board's support in rewording the WELL's infamous User Agreement. "**You own your own words**" was originally stated by the WELL's founders in those terms in order to protect the WELL from the obvious risks of libel. Over the years, the unfortunate addition of the statement, "**reproduction in any medium without the author's express permission is strictly prohibited,**" gave the mistaken impression to some WELL users that the WELL would somehow enforce the prohibition. Experience and observation have shown us that it is not only **not** the WELL's responsibility to protect users from unapproved reproduction of their words, but that it is fallacy to think that one can control such reproduction in this mercurial medium.

I would like to change the WELL User's Agreement to read as follows, being non-retroactive and having a phase-in period of 60 days before taking effect: — mng?

"You own your own words. This means that you are ~~legally~~ responsible for the words that you post on the WELL and that reproduction of those words without your permission in any medium outside of the WELL's conferencing system can be ~~legally~~ challenged by you, the author."

discussion

are we promising there is a basis in law?

Sincerely,

Cliff Figallo

cc: sbb, kk, kt, mw, lb, ef

▷ we're NOT going to protect your copyright

The WELL

Whole Earth Lectronic Link
27 Gate 5 Road, Sausalito, CA 94965-9976
415/332-6106 (modem); 415/332-4335 (voice)

April 8, 1991

To: WELL Board of Directors
From: Cliff Figallo
Subject: Corporate policy on employee benefits

As it now stands, aside from paid vacation and sick time and discounts at Whole Earth Access, the WELL's employee benefits package consists of full Kaiser medical coverage for the employee and half coverage for the first dependent. We now have two employees with five years seniority, two with four years, one with three years, two with close to two and one with a year working at the WELL. The questions continue to come up of whether and when greater benefits can be expected. My staff and I also have questions as to how the WELL's current and future relationship to Point might affect current and future employee benefits at the WELL.

Specifically what I would like the board to do is to state a policy, if not approve additional specific benefits, which will make clear to WELL employees if and under what conditions expanded benefits can be offered. Can a given percentage of profit be allocated to a benefits package? Do profits have to be above a set dollar amount to issue additional benefits? Is such an incentive-driven approach necessary or can employees be assured of receiving certain benefits after a stated number of years of service? Does the company want to encourage longer service or discourage it? Will total ownership of the WELL by Point affect employee benefits at the WELL?

My recommendation is that we, the Board, answer these questions clearly in a company policy statement, and assign guidelines to let WELL employees know what to expect or what to aim for. I would further recommend that any additional benefits be led by extending the WELL's health care package to include full paid care for all dependents. This would be a legitimate expense for the WELL, decreasing our tax liability, yet would not increase the tax liability of our employees. Additionally, I believe it would be the socially responsible thing to do given the health care situation in this country.

Please give this some thought and consider it as added to the agenda for the upcoming meeting. Thanks for your attention.

Sincerely,

Cliff Figallo

cc: sbb, kk, kt, mw, lb, ef

Then it s/b viewed as a raise.

What's the cost? $7,500/year

What are compet'g uses of $?
- op n's
- profits
- buy back - less dilution.
- benefits for pt.

. Pension plan.
Set up 401 (k).

WELL shd administer on own.

The WELL Budget Projections for 1991	Title
4/1/91 16:31	Last recalc date
C. Figallo	Author

Model Parameters

70	Monthly growth in paying users (21% annual)
70.00%	Percent actives to paying users
31.00%	Annual growth in fixed expenses
75.00%	Proportion of monthly revenue which is credit card
10.61%	Payroll taxes as percentage of payroll expense
	Monthly buyout payment or dividend
$2,500	Monthly payment on NETI advance
$817.69	Monthly payment on Sequent note
13%	Sequent Note rate
6%	Interest on cash in the bank
36.00%	Corporate tax rate
90	A/R (days)
30	A/P (days)
$10.00	Monthly Fee
$2.00	Hourly Fee
$4.50	Packet Fees
$0.50	Leased line fee
$0.02	Disk storage per Kilobyte
26.00%	Percentage of charges given as complimentary discounts

5.00	Avg Packet Hour Use
38.00%	Percentage of Actives using Packet
$25.00	Registration fee for Invoiced User
8	Avg Hours per Active Payer
25.00	Avg Kb storage over allowance per payer
	Avg hours Leased Line usage
	Percentage of Actives using Leased Lines
5	Number of free hours per new user
$7.50	Price of optional manual
20.00%	Percentage of new users ordering optional
$80.00	Price of GetWELL frontend program
$40.00	Cost to WELL of first 300 GetWELLs
20	Number of GetWELLs sold per month

Income Statement

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
Revenue													
Paying Users	3607	3677	3747	3817	3887	3957	4027	4097	4167	4237	4307	4377	
Active Users	2525	2574	2623	2672	2721	2770	2819	2868	2917	2966	3015	3064	
Average Active Hours/User	8	8	8	8	8	8	8	8	8	8	8	8	
Packet Users	959	978	997	1015	1034	1053	1071	1090	1108	1127	1146	1164	
Packet hour usage	4797	4890	4984	5077	5170	5263	5356	5449	5542	5635	5728	5821	
Leased line usage													
Monthly fees	36,070	36,770	37,470	38,170	38,870	39,570	40,270	40,970	41,670	42,370	43,070	43,770	479,040
Hourly fees	40,398	41,182	41,966	42,750	43,534	44,318	45,102	45,886	46,670	47,454	48,238	49,022	536,525
Packet fees	21,588	22,007	22,426	22,845	23,264	23,683	24,102	24,521	24,939	25,358	25,777	26,196	286,705
Leased line fees													
Disk storage	1,804	1,839	1,874	1,909	1,944	1,979	2,014	2,049	2,084	2,119	2,154	2,189	23,952
Other Revenue (Reg Fees, Manuals, Software)	543	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	2,143	24,110
Discounts	22,664	27,167	27,671	28,175	28,679	29,183	29,687	30,191	30,694	31,198	31,702	32,206	349,218
Total Revenue	77,739	76,773	78,207	79,641	81,075	82,509	83,943	85,377	86,811	88,245	89,680	91,114	1,001,114
Direct Costs of Operation													
Packet Services	17,270	17,605	17,941	18,276	18,611	18,946	19,281	19,616	19,952	20,287	20,622	20,957	229,364
Phone Services	2,091	2,132	2,175	2,219	2,263	2,308	2,354	2,401	2,449	2,498	3,298	3,364	29,555
Support Materials	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	18,060
Postage	280	280	280	280	280	280	280	280	280	280	280	280	3,360
Total Direct Costs	21,146	21,523	21,901	22,279	22,659	23,039	23,421	23,803	24,186	24,570	25,705	26,107	280,339
Percent of Gross Revenue	27.20%	28.03%	28.00%	27.97%	27.95%	27.92%	27.90%	27.88%	27.86%	27.84%	28.66%	28.65%	28.00%
Gross Margin	56,593	55,250	56,306	57,362	58,416	59,470	60,523	61,574	62,625	63,675	63,974	65,007	720,775
Percent of Gross Revenue	72.80%	71.97%	72.00%	72.03%	72.05%	72.08%	72.10%	72.12%	72.14%	72.16%	71.34%	71.35%	72.00%
Indirect Costs of Operation													
Personnel													
Director	6,199	4,245	4,245	5,403	4,245	4,245	6,093	4,245	4,245	5,979	4,245	4,245	57,631
System Admin	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,150	3,150	3,150	3,150	36,600
Engineer	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Customer Support	4,500	4,500	4,500	4,500	4,500	4,500	6,000	6,000	6,000	6,000	6,000	6,000	63,000
Marketing Director	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	43,200
Accounts Manager	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,308	3,308	3,308	38,273
Admin. Asst.	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,800
Bookkeeper	800	500	500	500	500	500	750	750	750	750	750	750	7,800
Payroll Taxes	2,827	2,588	2,588	2,711	2,588	2,588	2,970	2,774	2,790	2,991	2,807	2,807	33,029
Benefits	1,541	1,541	1,541	1,541	1,541	1,541	1,541	1,541	1,541	1,541	2,400	2,400	20,209
	31,018	28,524	28,524	29,805	28,524	28,524	32,504	30,459	30,625	32,718	31,659	31,659	364,541
Percent of Gross Revenue	39.90%	37.15%	36.47%	37.42%	35.18%	34.57%	38.72%	35.68%	35.28%	37.08%	35.30%	34.75%	36.41%
Computer Operations													
Computer Space Rent	450	450	450	450	450	450	450	450	450	450	450	450	5,400
Electricity	296	301	307	313	319	325	331	337	344	350	357	364	3,943
Hardware	50	50	1,000	50	50	50	50	50	50	50	50	50	1,550
Software (System and re-sale)	50	4,050	50	50	50	50	4,050	50	50	50	50	4,050	12,600
Modems	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Maintenance & Repair	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Contract Programming	500	500	500	500	500	500	1,000	1,000	1,000	1,000	1,000	1,000	9,000
	3,046	7,051	4,007	3,063	3,069	3,075	7,581	3,587	3,594	3,600	3,607	7,614	52,893
Percent of Gross Revenue	3.92%	9.18%	5.12%	3.85%	3.79%	3.73%	9.03%	4.20%	4.14%	4.08%	4.02%	8.36%	5.28%

Income Statement

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
Sales/Marketing													
Travel & entertainment	200	207	214	222	230	238	246	254	263	273	282	292	2,920
Promotional materials	500	518	3,536	554	574	594	615	636	658	681	705	730	10,301
Advertising	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Network subscriptions	75	75	75	75	75	75	75	75	75	75	75	75	900
Telephone													
Complimentary WELL time	104	104	104	104	104	104	104	104	104	104	104	104	1,248
	1,279	1,304	4,329	1,355	1,382	1,410	1,439	1,470	1,501	1,533	1,566	1,601	20,169
Percent of Gross Revenue	1.65%	1.70%	5.54%	1.70%	1.70%	1.71%	1.71%	1.72%	1.73%	1.74%	1.75%	1.76%	2.01%
Office													
Office Rent	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Utilities	322	333	345	357	369	382	396	410	424	439	454	470	4,701
Postage	296	302	307	313	319	324	330	336	342	347	353	359	3,928
Computer Hardware	183	183	183	183	183	183	183	183	183	183	183	183	2,191
Computer Software	50	50	50	50	50	50	50	50	50	50	50	50	600
Phones	401	416	430	445	461	477	494	511	529	547	566	586	5,862
Office Supplies	422	437	452	468	484	501	519	537	556	575	595	616	6,162
Temp Labor													
Repairs & Maintenance	50	52	54	55	57	59	61	64	66	68	71	73	730
Communications	20	20	21	21	22	22	22	23	23	24	24	25	267
	3,544	3,592	3,641	3,692	3,745	3,799	3,855	3,912	3,972	4,033	4,096	4,161	46,041
Percent of Gross Revenue	4.56%	4.68%	4.66%	4.64%	4.62%	4.60%	4.59%	4.58%	4.58%	4.57%	4.57%	4.57%	4.60%
Customer Support													
Labor	40	40	40	40	40	40	40	40	40	40	40	40	480
Complimentary WELL Time	150	153	155	158	160	163	166	169	172	175	178	181	1,978
Training			50	50	50	50	50	50	50	50	50	50	500
	190	193	245	248	250	253	256	259	262	265	268	271	2,958
Percent of Gross Revenue	0.24%	0.25%	0.31%	0.31%	0.31%	0.31%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
General & Administrative													
Insurance	350	350	350	350	350	350	350	350	350	350	350	350	4,200
Depreciation	2,158	2,308	2,341	2,399	2,465	2,465	2,465	2,532	2,822	2,822	2,889	2,889	30,555
Bad Debts	2,332	2,303	2,346	2,389	2,432	2,475	2,518	2,561	2,604	2,647	2,690	2,733	30,033
Outside Professional Services	608	608	1,608	608	608	1,608	608	608	608	1,608	608		9,689
Licenses, Fees, Taxes, Memberships	800					1,500							2,300
Bank Fees	1,578	1,558	1,588	1,617	1,646	1,675	1,704	1,733	1,762	1,791	1,820	1,850	20,323
Miscellaneous	100	104	107	111	115	119	123	127	132	136	141	146	1,460
Non-taxable Donations	100	100											200
Board-related Expenses	800			800			800			800			3,200
	8,827	7,331	8,340	8,274	7,616	10,192	8,569	7,912	8,279	10,155	8,499	7,968	101,961
Percent of Gross Revenue	11.35%	9.55%	10.66%	10.39%	9.39%	12.35%	10.21%	9.27%	9.54%	11.51%	9.48%	8.74%	10.18%
Total Indirect Costs	47,903	47,994	49,086	46,437	44,586	47,253	54,204	47,599	48,232	52,304	49,694	53,273	588,564
Percent of Gross Revenue	61.62%	62.51%	62.76%	58.31%	54.99%	57.27%	64.57%	55.75%	55.56%	59.27%	55.41%	58.47%	58.79%
Total Costs	69,049	69,517	70,986	68,716	67,245	70,293	77,625	71,402	72,418	76,874	75,400	79,379	868,903
Percent of Gross Revenue	88.82%	90.55%	90.77%	86.28%	82.94%	85.19%	92.47%	83.63%	83.42%	87.11%	84.08%	87.12%	86.79%
Earnings Before Interest & Taxes	8,690	7,256	7,220	10,925	13,830	12,216	6,319	13,976	14,394	11,371	14,280	11,734	132,211
Percent of Gross Revenue	11.18%	9.45%	9.23%	13.72%	17.06%	14.81%	7.53%	16.37%	16.58%	12.89%	15.92%	12.88%	13.21%

Income Statement

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
Interest Income (Expense)													
Interest rec'd from cash in bank	62	145	173	186	28	68	93	76	30	66	71	115	1,111
Sequent loan interest paid	(224)	(217)	(190)	(202)	(189)	(188)	(174)	(172)	(165)	(152)	(149)	(137)	(2,159)
	(162)	(72)	(16)	(17)	(161)	(119)	(82)	(97)	(135)	(86)	(78)	(22)	(1,048)
Earnings Before Taxes	8,528	7,184	7,204	10,908	13,669	12,097	6,237	13,879	14,259	11,285	14,202	11,712	131,164
Corporate taxes	3,070	2,586	2,593	3,927	4,921	4,355	2,245	4,996	5,133	4,063	5,113	4,216	47,219
Earnings	5,458	4,598	4,611	6,981	8,748	7,742	3,992	8,883	9,125	7,222	9,089	7,496	83,945
Dividends													
Net Earnings	5,458	4,598	4,611	6,981	8,748	7,742	3,992	8,883	9,125	7,222	9,089	7,496	83,945

Capital Budget

Sequent expansion	5,000	Ports	3,500	Processors				17,500	Dynix Upgrade				26,000
Modems	4,000			4,000			4,000			4,000			16,000
Office equipment													
Other		2,000	LAN										2,000
	9,000	2,000	3,500	4,000			4,000	17,500		4,000			44,000

BALANCE SHEET

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91
Short Term Assets												
Cash in bank	28,903	34,640	37,100	5,621	13,628	18,540	15,183	5,951	13,143	14,198	22,930	26,895
Accounts receivable	58,304	57,580	58,655	59,731	60,806	61,882	62,957	64,033	65,109	66,184	67,260	68,335
Credit card vouchers	72,055	69,829	69,130	68,026	67,609	68,643	69,822	71,015	72,210	73,405	74,600	75,795
Other	10,082	7,474	4,866	4,258	3,650	3,042	2,434	1,826	1,218	610	2	
	169,343	169,522	169,750	137,636	145,693	152,106	150,396	142,825	151,679	154,397	164,791	171,025
Long Term Assets												
P & E	175,081	177,081	180,581	184,581	184,581	184,581	188,581	206,081	206,081	210,081	210,081	210,081
Accumulated depreciation	(42,137)	(44,445)	(46,785)	(49,184)	(51,650)	(54,115)	(56,580)	(59,112)	(61,934)	(64,757)	(67,645)	(70,534)
	132,944	132,636	133,795	135,396	132,931	130,466	132,000	146,968	144,146	145,324	142,435	139,547
	302,287	302,158	303,545	273,032	278,623	282,572	282,396	289,794	295,825	299,721	307,226	310,572
Short Term Liabilities												
Prepaid usage	8,546	8,046	7,546	7,046	6,546	6,046	5,546	5,046	4,546	4,046	3,546	3,046
Accounts payable	22,912	22,508	22,906	24,106	23,707	24,109	25,313	24,918	25,325	26,533	27,752	28,179
Sequent loan (current period)	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
NETI loan (current period)	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Payroll taxes payable	2,827	2,588	2,588	2,711	2,588	2,588	2,970	2,774	2,790	2,991	2,807	2,807
Corporate taxes payable	39,605	39,121	39,129	3,927	4,921	4,355	2,245	4,996	5,133	4,063	5,113	4,216
	111,390	109,764	109,670	75,290	75,262	74,598	73,574	75,235	75,294	75,133	76,718	75,748
Long Term Liabilities												
NETI advance	30,000	27,500	25,000	22,500	20,000	17,500	15,000	12,500	10,000	7,500	5,000	2,500
Sequent loan	10,768	10,168	9,539	8,924	8,295	7,665	7,022	6,376	5,724	5,058	4,389	3,708
	40,768	37,668	34,539	31,424	28,295	25,165	22,022	18,876	15,724	12,558	9,389	6,208
Stockholders Equity												
Common Stockholders	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990
Retained earnings	116,681	116,681	116,681	116,681	116,681	116,681	116,681	116,681	116,681	116,681	116,681	116,681
Current Period Earnings	5,458	10,055	14,666	21,647	30,396	38,138	42,129	51,012	60,138	67,360	76,449	83,945
	150,129	154,726	159,337	166,318	175,066	182,808	186,800	195,683	204,808	212,031	221,120	228,616
	302,287	302,158	303,546	273,032	278,624	282,572	282,396	289,794	295,826	299,721	307,227	310,572

CASH FLOW ANALYSIS

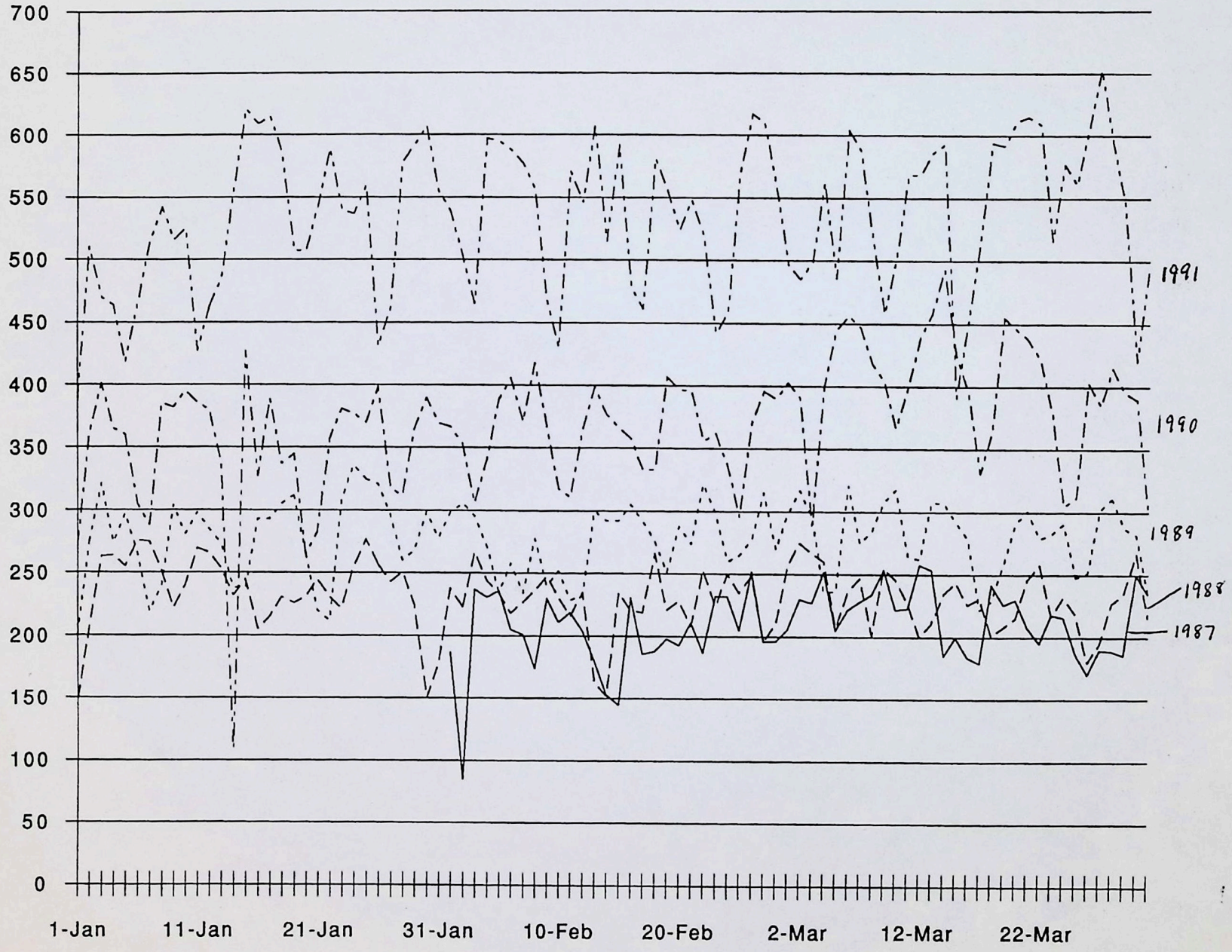
	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
Net Earnings	5,458	4,598	4,611	6,981	8,748	7,742	3,992	8,883	9,125	7,222	9,089	7,496	83,945
Sub: Non-Income Cash Uses													
New plant and equipment	(9,000)	(2,000)	(3,500)	(4,000)			(4,000)	(17,500)		(4,000)			(44,000)
Add: Non-Cash Expenses													
Depreciation	2,158	2,308	2,341	2,399	2,465	2,465	2,465	2,532	2,822	2,822	2,889	2,889	30,555
Add: Increases in Liabilities													
Short Term	10,762	(1,626)	(95)	(34,379)	(28)	(664)	(1,024)	1,660	59	(161)	1,585	(969)	(24,881)
Long Term & Common Stock	(3,094)	(3,101)	(3,128)	(3,115)	(3,129)	(3,130)	(3,143)	(3,145)	(3,153)	(3,166)	(3,169)	(3,181)	(37,654)
Sub: Increases in Non-Cash Assets ?													
Accounts receivable	13,562	3,332	1,532	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(468)	(1,074)	13,613
Credit card vouchers	(3,301)	2,226	699	1,103	417	(1,034)	(1,179)	(1,193)	(1,195)	(1,195)	(1,195)	(1,195)	(7,041)
Net Cash Flow	16,546	5,737	2,461	(31,479)	8,007	4,912	(3,357)	(9,232)	7,192	1,055	8,732	3,965	14,537
Cash Balance	28,903	34,640	37,100	5,621	13,628	18,540	15,183	5,951	13,143	14,198	22,930	26,895	

SUMMARY
Income Statement

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
Total Revenue	77,739	76,773	78,207	79,641	81,075	82,509	83,943	85,377	86,811	88,245	89,680	91,114	1,001,114
Direct Costs													
Computer/Communications	19,361	19,738	20,116	20,494	20,874	21,254	21,636	22,018	22,401	22,785	23,920	24,322	258,919
Subscription Costs	1,785	1,785	1,785	1,785	1,785	1,785	1,785	1,785	1,785	1,785	1,785	1,785	21,420
Total Direct Costs	21,146	21,523	21,901	22,279	22,659	23,039	23,421	23,803	24,186	24,570	25,705	26,107	280,339
Gross Margin	56,593	55,250	56,306	57,362	58,416	59,470	60,523	61,574	62,625	63,675	63,974	65,007	720,775
Indirect Costs													
Personnel	31,018	28,524	28,524	29,805	28,524	28,524	32,504	30,459	30,625	32,718	31,659	31,659	364,541
Computer Operations	3,046	7,051	4,007	3,063	3,069	3,075	7,581	3,587	3,594	3,600	3,607	7,614	52,893
Sales/Marketing	1,279	1,304	4,329	1,355	1,382	1,410	1,439	1,470	1,501	1,533	1,566	1,601	20,169
Office	3,544	3,592	3,641	3,692	3,745	3,799	3,855	3,912	3,972	4,033	4,096	4,161	46,041
Customer Support	190	193	245	248	250	253	256	259	262	265	268	271	2,958
General & Administrative	8,827	7,331	8,340	8,274	7,616	10,192	8,569	7,912	8,279	10,155	8,499	7,968	101,961
Total Indirect Costs	47,903	47,994	49,086	46,437	44,586	47,253	54,204	47,599	48,232	52,304	49,694	53,273	588,564
Total Costs	69,049	69,517	70,986	68,716	67,245	70,293	77,625	71,402	72,418	76,874	75,400	79,379	868,903
EBIT	8,690	7,256	7,220	10,925	13,830	12,216	6,319	13,976	14,394	11,371	14,280	11,734	132,211
Interest Income/Expense	(162)	(72)	(16)	(17)	(161)	(119)	(82)	(97)	(135)	(86)	(78)	(22)	(1,048)
EBT	8,528	7,184	7,204	10,908	13,669	12,097	6,237	13,879	14,259	11,285	14,202	11,712	131,164
Corporate Taxes	3,070	2,586	2,593	3,927	4,921	4,355	2,245	4,996	5,133	4,063	5,113	4,216	47,219
Earnings	5,458	4,598	4,611	6,981	8,748	7,742	3,992	8,883	9,125	7,222	9,089	7,496	83,945
Dividends or Buyout payments													
Net Earnings	5,458	4,598	4,611	6,981	8,748	7,742	3,992	8,883	9,125	7,222	9,089	7,496	83,945
Capital Budget Total	9,000	2,000	3,500	4,000			4,000	17,500		4,000			44,000

INT OPERAT

First Quarter Daily Port-hours -- 1987 1988 1989 1990 1991



Kelly Teevan's comments:

To: Cliff
From: Kelly
Re: Texlink Business Plan
Date: February 19, 1991

Cliff, here are my major comments on the Texlink document. What should the next step be? We could get Elliot to look at it also and then sit down. Are there other people you'd like to bring into the conversation at this point?

Generally, it seems a good idea, with good people and objectives. It seems like the business can work.

Questions:

1. The valuation. Texlink is valued higher than the WELL. If $250,000 buys 45%, then what's the total value? Compare that to that of the WELL.

2a. What is the Texlink team bringing to the party, in comparison to the WELL and the investors (whom I call the money)? Less than they assert, I think.

This is presented very much like a franchise proposal. We can all agree that it sounds like the business can fly. So the key question is: can these people make it fly? What advantage does this team have that others don't? Access to the WELL organization. So what it's selling is that access. Consequently, the contribution of the WELL is undervalued and theirs is overvalued. Just finding investors for a deal can be worth 5% of the stock. In the document, they acknowledge the importance of "access to advice and assistance" >50% of the stock.)

2b. What are the key positions required to make this work? Do they have them covered by very good people?

3. No one holds majority stock. That could lead to problems, in that it's not clear who will set direction. And the 10% proffered to the WELL puts it in the swing vote position, not a great position, I think.

4. Allowance for dilution. If the $250k isn't enough to make the thing fly, who has to give up stock to bring in more money?

5. What are the risks, as they see them? They should be able to see them more clearly than anyone else, and they should spell them out.

6. There can be a whole series of questions on the pro formas. One I have is: is the charge per hour realistic (vs. flat fee)? They state that costs would be $3, $5 and even $9 per hour (daytime, from a large portion of their users). What portion, for reference, of the WELL users' time is daytime vs. evening phone rates?

But before getting too deep in the numbers (which is a big investment of time), we should figure out what business arrangement works best for the WELL (and Point).

7. In line with the last comment and with 2a (that this looks like a knock-off of the WELL, fueled by input from the WELL), the time commitment involved is huge. It needs to be clearly defined, monitored and rewarded.

Some comments:

- I find the use of phases very confusing.

- I don't understand the Investment amounts at all (p. 12); they don't seem to tally with previously mentioned numbers (pp. 10,11).

- An industry overview might be helpful.

- A comparison of demographics (Austin and Texas vs. SF Bay Area) would be helpful.

MEMORANDUM

TO: Cliff Figallo, Director & the Board of Directors of the WELL

FROM: Brenda Smith, Tim Nobles & Ben Thornton, TexLink founders

DATE: April 13, 1991

RE: Clarification of TexLink Business Plan & Request for WELL Assistance

After reviewing TexLink's business plan, Cliff Figallo sent us a list of questions from Kelly Teevan regarding that plan's underlying assumptions. Those questions are attached separately and restated prior to our responses which follow.

We would like to preface our responses by emphasizing that we are open-minded and flexible about TexLink's relationship to the Well and our investor(s) and that we are willing to consider changes to both our assistance proposal and business plan.

VALUATION

"1. The valuation. Texlink is valued higher than the WELL. If $250,000 buys 45%, then what's the total value? Compare that to that of the WELL."

Mr. Teevan's first question regards TexLink's valuation. For your reference, our proposed distribution of equity value is shown in figures, as a natural result of projected operating activity for our first five years, on page 57 of the plan. The underlying assumptions behind these equity distribution projections are described on page 61.
The second paragraph of page 61 says:

"TexLink's investor(s) are assumed to own 45% of the company, with the Well owning 10% and each of the three original founders owning 15%. The equity distribution is

herein shown so that all equity prior to profitability lies with the investor(s) until their original investment has been recouped. Thereafter, (during Year 1 of Phase III), profits are distributed to the various owner's equity according to the above ownership percentages."

To clarify, we are offering to reduce investor risk by having all equity value belong to the investor(s) until their original dollar investment has been completely recovered through earnings. All profits after a cumulative break-even is reached would be divided with the investors receiving 45%, the Well 10%, and TexLink founders 45%.

It would be more accurate and less ambiguous to revise the first sentence of the above quoted paragraph to read, "TexLink investor(s) are assumed to own the first $1/4 million of equity value plus 45% of all earned profits, with the Well owning 10% of earned profits and each TexLink founder individually owning 15% of earned profit." We have made this revision in the plan copies we are sending this week.

In effect, we are proposing that we founders actually earn our percentages of ownership as a reward for several years of sound management and hard work. Founders' equity would be "value-less" until we manage the company into profitability and/or into a position where company goodwill acquires actual cash value.

As the numbers on page 57 show, cumulative profits are first realized in Year 1 of Phase III. At the end of that year, investor(s) equity is projected to be $315,650, with TexLink founders and Well equity totalling $80,239. It is only after significant profits have been earned over five years that founder/Well equity approaches a comparable, yet lesser, value to that of the original investor(s).

There are many possibly acceptable variations on this proposed distribution of equity and profit. We would consider changes in profit distribution percentages and/or in the way equity accumulates.

FOUNDERS' INVESTMENT

"2a. What is the Texlink team bringing to the party, in comparison tothe WELL and the investors (whom I call the money)? Less than they assert, I think."

Question #2a. asks what value TexLink founders would bring to the partnership. The TexLink team is bringing its skills, expertise, enthusiasm and extensive state-wide connections to the table. We also plan to find local investors, if needed. We are willing to risk current job security to invest our time and talents into developing a regional computer conferencing system with wide market appeal. It is our physical and mental efforts that will make TexLink a reality and a profitable venture, both financially and socially.

"This is presented very much like a franchise proposal. We can all agree that it sounds like the business can fly. So the key question is: can these people make it fly? What advantage does this team have that others don't? Access to the WELL organization. So what it's selling is that access. Consequently, the contribution of the WELL is undervalued and theirs is overvalued. Just finding investors for a deal can be worth 5% of the stock. In the document, they acknowledge the importance of "access to advise and assistance" (p.44). (In any case, I think the investor would want to start with >50% of the stock.)"

We are not suggesting that TexLink operate as a Well franchise for two reasons:

1. The Well is home to a certain point of view that is essentially international. We intend to concentrate on serving Texas as a regional system; we will be a central hub that enhances communication in this vast state. Our model may turn out to be closer to the PEN system in Santa Monica than to the Well. We don't think that a "knock-off" of the Well would fly in Texas. The majority of our potential customers know almost nothing about the Well. They will be interested in what we can do in Texas.

We do not intend to duplicate the Well's conferences or its human interface. So, what would we be franchising? The similarity

between TexLink and the Well will lie primarily in the vision, attitude, and community-building skills of the founders of both systems. These attitudes and skills were acquired in another time and place long before the Well existed.

2. The franchise models with which we are familiar do not allow for the kind of local autonomy that we feel is necessary for maximum efficiency. Excessive layers of management can become unnecessarily unwieldy and rigid, perhaps inhibiting the kind of flexible management and quick decision-making necessary to keep pace with local market demands.

However, if the Well would prefer to help us establish TexLink as a sister system of the Well with the Well holding a controlling interest, it might be possible to design a workable structure. We would need to address issues of ownership, control, decision-making process, policy development and delegation of management authority. Brenda Smith's familiarity with co-operative management models would be valuable in designing an agreeable franchise structure.

The Well might also consider seeking investors to purchase a large, or perhaps majority, percent of ownership on behalf of the Well. In this way, the Well and TexLink founders could work as a partnership without having to share decision-making with a third party. The Well could satisfy its interest in making networking technology more widely available without taking on the direct burden of doing it themselves. Through a management agreement, TexLink could remain locally autonomous to a degree, with its founders being given considerable discretion in management decision-making.

It is undoubtedly to TexLink's advantage to be connected to and advised by the Well. We expect that Well direction could save us both time and money in terms of re-inventing the wheel. However, we also feel that it is relatively safe to assume that there are few other Texans so uniquely suited to develop an alternative public conferencing system in Texas. As previously stated, much of the Well's atmosphere, which distinguishes it from other commercial conferencing systems, comes from its alternative approach to freedom of speech and thought. TexLink founders come from the same ethical/social background as the Well's current management.

If we move quickly, we could become the first public conferencing system in Texas with a regional and progressive focus. If we wait too long to launch our system, we run the risk of being beaten out of the gate by systems which may be better capitalized, but which will not necessarily further the Well's interests in connected, regional networks collectively working toward a better world. We think it is in the Well's best interest to help TexLink move quickly to become THE Texas regional conferencing system.

KEY POSITIONS AND PERSONNEL

"2b. What are the key positions required to make this work? Do they have them covered by very good people?"

Question 2b. concerns the key personnel positions required for TexLink's success and whether these positions are covered by qualified people. Section 7, pages 44-53, of the business plan describes our team strategy in summary and our individual qualifications in detail. Let us further explain our ideas on staff positions and the individuals filling those roles.

Director and CEO

TexLink's Director would function as Chief Executive Officer, coordinating the team and directing operations through all aspects toward profitability. Director oversight responsibilities will include product quality assurance, public relations, market outreach and development, sound cost management, legal/governmental licensing and accountability, management/Board relations and monitoring of efficient and complete customer service.

Director Brenda Smith is well qualified for her position. For the past 5-1/2 years, she has managed an annual operating budget exceeding $1/2 million for a student housing cooperative with as many as 180 resident members and real property assets approaching $2 million. The cooperative is democratically managed by a small, homegrown and trained, professional staff who organize the membership as an informed operational team. Brenda has managed

and designed the corporation's turn-around from the edge of bankruptcy to long-term stability and profitability.

Brenda's familiarity with cooperative and other non-profit management structures and her experience with coordinating activities of large numbers of paid staff and volunteer teams should be invaluable to developing TexLink's management structure and market outreach. Her financial management, budgeting and accounting skills can effectively monitor and control TexLink's bottom line, and her extensive connections in the Texas progressive, general business and political communities will be important in host recruitment, conference development and marketing. In addition, Brenda has experience with supervision of advertising and publicity and with legal/governmental interface.

Director of Development

TexLink's Director of Development will take primary responsibility for developing and innovating the concepts and substance of our online system, and he will also take responsibility for communicating TexLink concepts and ideals to the public via public relations and marketing.

Development Director Tim Nobles is uniquely qualified to handle both the conceptual and the technical aspects of this position. His original career fascination was electronics engineering, but at an early age he realized that without a vastly improved social vision, we would simply use these advanced tools to destroy ourselves and our environment. After many years of social experimentation and social and environmental activism, Tim turned back to technology to make a living for his maturing family. He quickly established himself on the cutting edge of computer technology and technical communication; now he is ready to combine his social vision and his technical vision as TexLink's director of development.

In his communicator role, Tim has helped to author much of TexLink's current business plan. He will continue, with the help of TexLink's other principals, to design and draft brochures, online introductory material and guided tours, and marketing materials. He will also approach key individuals, appear on local media, and make presentations to clubs and associations to promote and publicize TexLink.

In his development role, Tim will seed and inspire the development of online material, he will recruit hosts and encourage them to develop creative approaches to conferencing, and he will help develop a friendly user interface and painless user training materials.

From his extensive work with advanced human interface design projects, he is convinced that videotaped instruction guides and menu-based, mouse-supported offline reader technology can open computer conferencing to a very large group of new users.

Tim sees the role of the TexLink development staff as establishing a clean, easy-to-use medium,then continuing to explore new dimensions in which users can create and experiment. He believes that to stay competitive we have to keep innovating the conceptual forms of digital communication and also keep hustling to grow with the technology.

Technical Director

TexLink's Technical Director will research, specify, install, configure, and maintain the computer and telecommunications hardware and software required to operate a responsive, reliable computer conferencing system. He will continue to research the state of the art in this field so as to maintain our competitive edge, and he will help support our technical conferences.

Ben Thornton, our technical director, is something of a rare bird: he is a digital hardware expert, an analog hardware expert, accomplished UNIX (BSD *&* System V) administrator and TCP/IP guru, experienced C hacker, and also is nationally and internationally known in ham radio circles as librarian of one of the planet's better sources of computer telecommunications software and information on his long-playing "Antenna Farm" bulletin board.

Ben has authored several custom communications-oriented programs for special applications, such as packet radio and TCP/IP. He has worked in several positions as a chief engineer designing, specifying, and installing custom electronics configurations. He is quite capable of assembling the necessary pieces of hardware and software into a robust TexLink system while paying close attention to budgetary limits.

In addition, he is a technical person that really knows how to network and communicate. His far-ranging technical curiosity will keep us on the cutting edge in both software and hardware. Bringing his considerable network following to our system, he will also moderate and inspire many of our online technical discussions.

At first glance, it may appear that we have under-budgeted for the Technical Director position by not starting his full-time salary until Month 14 of operation. However, Ben Thornton currently works at his circuit design position for at least sixty hours per week and additionally operates a ham radio bulletin board, which requires a few hours of his time each day. As soon as we have investment capital lined up and are ready to launch TexLink, Ben will cut back to a forty hour work-week at Video Associates Labs, and will turn his bulletin board operation over to others. This will free him up to work for TexLink at least thirty hours per week when necessary, and, since Ben is somewhat of a genius regarding computer communications technology, he should have no problem setting up our system and keeping it operational. (He also has accumulated vacation hours available for TexLink).

Marketing Coordinator, Office Staff/Customer Service

We have considered the possibility that our initial salary budget may not be adequate to support a staff large enough to cover all start-up tasks. We feel especially thin in the areas of marketing and publicity and office staff/customer support. We are therefore looking for inexpensive and creative ways to enlarge our initial staff.

We are working on recruiting a specific individual who is single and may be willing to temporarily work for a minimal salary until TexLink is better established. This prospective recruit has well-developed business savvy as well as excellent skills in computers, writing, marketing, community organizing and cooperative management. We envision his role as our marketing coordinator in charge of advertising, publicity, market plan development, public relations, etc. He would spend a lot of time meeting the public and representing us in person to various groups.

We also plan to hire office management staff before launching our paying service to subscribers. We know a number of qualified people who would be interested in this position. An office manager would be responsible for receptionist duties and would assist with bookkeeping, correspondence and customer service.

Another alternative is that we have access to University of Texas work-study programs through which the university reimburses 70% of part-time salary expense to employers who hire students on financial aid. UT also has excellent internship programs for students seeking to gain job experience and skills, particularly in business and computer technology. University students can assist TexLink with telephone reception, customer support, bookkeeping and billing, advertising and publicity mailings, etc. Brenda Smith is willing to consider working temporarily for a lower salary so that additional staff costs can be covered within budget.

VOTING PERCENTAGES

"3. No one holds majority stock. That could lead to problems, in that it's not clear who will set direction. And the 10% proffered to the WELL puts it in the swing vote position, not a great position, I think."

Question #3 concerns majority stock ownership and the Well's position as a swing vote. Because we hope to establish a co-op style management structure within TexLink, we deliberately proposed that there be no majority ownership of stock.

The cooperative economic sector is more extensive than the public generally realizes. Co-ops have been in existence since the 1840's and, since then, have grown in scope to include not only international development organizations but also major industries including agricultural, electrical, housing and wholesale and retail grocery sales. There is even a National Cooperative Bank (NCB) with its own development corporation (NCBDC) to assist new cooperative enterprises. (The NCBDC is a potential source of loan funds for TexLink capital).

Cooperatives are established on democratic principles and have developed a wide variety of management models suitable to many types of businesses. These models are attractive to TexLink because

they offer a unique way to blend idealism with sound business practice. Co-op management structures include systems designed for worker-ownership, non-profit corporations and for-profit entrepreneurial endeavors.

While almost every co-op has developed its own unique structure and decision-making processes, all are based on the same cooperative principles established in the 1840's. Consensus-building is always emphasized and many co-ops function quite well with all policydecisions arrived at by consensus. The principle behind consensus is that, if all involved parties do not agree on actions, those actions cannot be taken on behalf of the entire group. Arriving at consensus is seldom as difficult as it may seem. To allow for situations where consensus cannot be reached, most co-ops have provisions for voting with final decisions decided by the majority -- either simple, 2/3, 3/4, etc.

In the case of TexLink, we envision a consensus structure with provisions for majority vote. This can be applied both to major policy and financial decisions made by the entire Board of Directors and to operational decisions made by management. Having the swing vote could be a desirable position for the Well, but if the Well is uncomfortable with it, there are lots of alternatives.

One option would be for voting representation on TexLink's Board to not necessarily break-down in the same percentages as profit ownership. For instance, each individual investor and TexLink partner could have one equal vote (Co-op Principal #1: One Member, One Vote) with a negotiable number of votes for the Well. Or, the investor(s)' proportionate number of votes can be greater than their percentage of profit ownership. There are many possible variations on these themes. Our primary concern is that the decision-making processes be streamlined for maximum efficiency and that Board/management relations be cooperative, rather than competitive, in style.

SALE OF STOCK FOR ADDITIONAL CASH

"4. Allowance for dilution. If the $250k isn't enough to make thething fly, who has to give up stock to bring in more money?"

Mr. Teevan's fourth question asks if the original $250,000 investment is inadequate, who has to give up stock to bring in more investment? First, if TexLink operations are strong enough to attract additional investors, they might also qualify for operating capital loans or lines-of-credit from traditional lending institutions. Beyond that, if it is necessary to make additional stock available to attract capital, TexLink founders would be prepared to sell a limited portion of their individual stock before other partners would be asked to sell theirs.

RISK AND ITS MANAGEMENT

"5. What are the risks, as they see them? They should be able to see them more clearly than anyone else, and they should spell them out."

The fifth question concerns TexLink's risk and requests that the founders spell them out specifically. We see our major risks to include economic recession and/or inflation, under-capitalization, excessive debt, the emergence of more well-capitalized competition, incomplete marketing strategy, inefficient or incompetent management, excessively rapid growth and/or over-extension, lack of careful financial monitoring and cost control, and a failure to either produce an excellent product or to provide adequate customer service and support. All are classic management pitfalls and solution options are therefore well-documented and continually studied in the public domain. We have personal experience with managing many of these risks and intend to stay apprised of emerging innovative techniques to address them.

We assert that computer networking technology is more recession-proof than many progressive pursuits because it is new and exciting and because it offers diversion and social contact to people whose shrinking disposable incomes keep them at home. It can also save on the cost of travel, meeting/conference production, document shipping and faxing and long-distance telephone service for organizations and businesses with regional offices and programs.

Under-capitalization and excessive debt load can be prevented through the sale of additional stock. More importantly, we intend to avoid these problems by continually adjusting expenditures so that we live within our means and adjusting pricing to fit the means of the marketplace.

Perhaps TexLink's largest risk would be the possible emergence of more well-capitalized or well-promoted competition or of competitors offering a more attractive product. The first line of defense against this risk area is to beat the potential competition to market. Beyond that, our challenge is to offer the most attractive product at affordable prices and to keep a very high public profile through well-targeted advertising and publicity and the development of a large base of community support. If competition emerges, their activities would need to be carefully monitored and TexLink would need to out-distance them by offering a better product and improving customer service and support. TexLink's most obvious competitive edge will come from its alternative, progressive atmosphere and its unique conferences and well-known hosts. As long as TexLink does a reasonably good job of quality and cost control, marketing, and customer service,we should be able to easily prevail in the market niche for progressive networking regardless of what other more commercially-oriented competition might arise. Of course, TexLink's association with the Well would be an important factor in its success at earning a better reputation than other services.

Other risk factors mentioned above can be largely minimized simply by ensuring that all critical operational aspects are supervised and controlled by competent, professional staff. This staff would need to maintain excellent communication with clear, comprehensive division of all responsibilities and tasks. Ongoing staff training and education should be instituted and outside consultation and advice should be regularly sought. Plans should be regularly updated and improved, cost-saving measures should be continually sought and implemented, intra-company reporting should be streamlined yet complete, and a mutually supportive team atmosphere should be maintained. Again, Well contact and input would be quite valuable in most areas of risk management, particularly in the management of rapid growth, product quality and customer support.

PRO FORMAS

"6. There can be a whole series of questions on the pro formas. One I have is: is the charge per hour realistic (vs. flat fee)? They state that costs would be $3, $5 and even $9 per hour (daytime, from a large portion of their users). What portion, for reference, of the WELL users' time is daytime vs. evening phone rates?

But before getting too deep in the numbers (which is a big investment of time), we should figure out what business arrangement works best for the WELL (and Point)."

We agree with your statement under Question #6 that there should be a long series of questions on the pro formas and we wholeheartedly invite your feedback, criticism and advice. We also agree that we should first decide on at least the basis of our business arrangement before going into great detail on financial projections.

As to the question of hourly vs. flat fees for on-line usage, we are certainly willing to consider flat fees, but we feel that we should begin with hourly rates and study our usage patterns before setting flat fees. If our growth in usage is not proceeding on schedule, we can poll subscribers about whether their usage is inhibited by hourly fees. We can always switch to flat fees if called for. We will also look at opening with flat usage fees. However, we think there could be a danger in assuming that TexLink usage patterns will closely resemble those of the Well.

TIME COMMITMENT FROM THE WELL

"7. In line with the last comment and with 2a (that this looks like a knock-off of the WELL, fueled by input from the WELL), the time commitment involved is huge. It needs to be clearly defined, monitored and rewarded."

Statement #7 asserts that the time commitment TexLink requires from the Well will be "huge". We respectfully take exception to this assumption. We feel that our team's existing professional expertise is well-suited to the development of a successful digital conferencing system in Texas. We are skilled and self-motivated, we

understand the basics of what needs to be done, we know a lot about our regional market, and we have access to numerous sources of assistance and advice outside of the Well. We feel that our best training will come from our spending time with individual Well staff and Board members and that our existing knowledge and skills are adequate for self-training. The greatest block of time needed from the Well will almost certainly go into the negotiation, delineation and legal establishment of our relationship.

We do agree that the Well's involvement needs to be clearly defined, monitored and rewarded.

RESPONSES TO FINAL COMMENTS

"I find the use of phases very confusing."

The use of phases can be confusing but discussion of our developmental timeline and goals would be more confusing to us without them. The three phases are distinctly different in scope, cost, hardware, software, marketing needs, and many other aspects. {We felt it best to separate them for that reason. If others are finding it too confusing, the problem may be in the wording of the explanations, rather than in the use of phases themselves. Perhaps you were thinking that we should begin operation as a regional network which is an idea we should definitely consider. We will do some projections on that approach in the immediate future.

We had decided to grow in phases in order to better manage our growth and because we thought investors might prefer that we prove ourselves locally before they would want to risk investment in regional expansion. However, by opening first only in Austin, we do run the risk of a copy-cat regional system being launched by competitors before we go regional. By limiting our first year to local service, we might be whetting the market's appetite for a regional system but we will also be limiting our attractiveness among those potential users mainly interested in the regional aspects.

"I don't understand the Investment amounts at all (p. 12); they don't seem to tally with previously mentioned numbers (pp. 10,11)."

Ooops! You are absolutely correct that the numbers used in describing Phases I & II on pages 10 & 11 do not tally with the investment amounts mentioned on page 12. Thank you for pointing out the error. We neglected to change pages 10 & 11 when we last revised our cash projections. The error has been corrected on the revised plans we are sending this week by changing the last sentence under Phase II on page 11 to read:

> However, we project that an additional $150,000 will be needed for the twelve-month period to cover $50-60,000 in operating losses before revenues reach break-even, to purchase $52,000 in Phase III's expanded computer and telecommunications facilities, with the remaining $38-48,000 to cover cash reserves, loss contingencies and outstanding accounts receivable."

"An industry overview might be helpful."

If you feel that an industry overview is necessary, we will develop one.

"A comparison of demographics (Austin and Texas vs. SF Bay Area) would be helpful."

We have enlisted the volunteer assistance of a market analyst to provide us with demographic information relevant to TexLink. If the Well has any such information on your area and your users, we would like to use it to outline a comparison.

We would like to end by thanking you for your interest in the TexLink project. We feel that a Well/TexLink relationship will be mutually beneficial and we look forward to future work together. If, after your April 20th Board meeting, you are interested in pursuing TexLink further, we may possibly be able to travel to your area for more direct negotiations. We do appreciate your feedback and interest.

Thank you.